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Manager, "Indian Commerce"

The Report of the Reserve Bank Committee.

The Report of the Reserve Bank Committee recenly published is an important document which, we believe, should attract the earnest consideration of every student interested in the financial affairs of the country. It will be seen from the report (published in another column of this issue) that the proposals contained therein are more or less based upon those contained in the Reserve Bank Bill of 1928 moved by Sir Basil Blacket, the then Finance Member in the Legislative Assembly, and that the most important issue regarding the constitution and management of the Reserve Bank, namely, whether it is to be managed by a body of shareholders, with a share capital subscribed by them or it is to be a State Bank, has not been decided. But one thing we note and agree with is, that the members composing the Reserve Bank Committee in London have unanimously agreed that the proposed Reserve Bank should be entirely free from political interference. Hence the question of management is indeed the most vital point that has to be decided by the members of the Assembly to the entire satisfaction of the country. From a careful perusal of the Committee's report we have to come to the conclusion that the members who formulated the proposals have half-heartedly agreed to the shareholders' scheme, simply because the formation of a Reserve Bank has been repeatedly emphasised in the last three Round Table Conferences and that its establishment was demanded as a condition precedent to the formation of the proposed Indian Federation and the transfer of Responsibility at the Centre and with it the financial responsibility too. One who has been following the monetary history of the country will easily note that it is on this question of management, the 1928

Bill was wrecked in the Assembly and unfortunately it is precisely the same question that has to engage the attention of the Assembly in the very near future. Because the members of the Joint Committee have agreed to the shareholders' scheme, it does not follow that the Assembly is precluded from giving expression to its considered opinion and to modify the proposals by substituting in place of the shareholders' scheme, the scheme of State management which, we think, is far advisable to a country like India which is ruled by foreigners and the major portion of its business interest is being their closed preserve. But in the present state of the Constitution of the Assembly, we are afraid, whether our M. L. As. will be able to effectively voice their requirements and show their leanings towards State management.

Taking for granted that the Reserve Bank of India is to be a shareholders' Bank, the next question that arises is how to safeguard the national interest by seeing that its management is in the hands of the Indian nationals. To our surprise, the Government which has been repeating on thousands of occasions that political pressure or influence should not in any way interfere with its management, has deemed it necessary to secure extraordinary powers in the matter of appointing the Governor and Deputy Governors of the Reserve Bank through the Viceroy ***in person and at his discretion*** without the least regard to the opinions of the future Indian Federal Government or its Responsible Ministers. It is clear from this that the Government wishes to retain the reins of financial control as effectively as of old with the added advantage that if the Currency Policy of the country is entrusted to a Statutory body like the Reserve Bank, the Viceroy and his administration will be free from the criticisms of the Assembly as well as the public on matters relating to it. This naturally, to the people of India, should be and is actually, causing much alarm. Why not the shareholders of the Bank who would return their own directors, be permitted to see that one from such directorate is appointed as the Governor and the other a Deputy Governor, and if necessary with the formal approval of the Governor-General-in-Council ? If political pressure through the Assembly members or other sources is not to be allowed and is considered detrimental to the Bank's interest, why should the most effective form of political pressure to be exercised by the Governor-General through his powers of appointing the Governor and Deputy Governors be allowed ? The Secretary of State openly admits that the Governor-General in person using his extraordinary powers at his discretion will be guided by him and Whitehall and hence, we think, that if this proposal is permitted and allowed to

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become law, the intervention of political pressure from Whitehall, which must naturally look after the needs of London more than of India, will be very effective and a source of danger to India's interest and thereby India's future financial policy will be permanently controlled from London. If here we may be permitted to call a spade a spade, the Government have shown much misgivings and mistrust towards Indian management and hence wish to retain their full powers as at present with greater security, and without submitting them to the criticisms of the Assembly. So we hope our Assembly members will fight this question out and see that the Governor-General's intervention and especially of the Governor-General *in person* is not permitted in the least possible manner.

To secure the national interest the Committee's proposals with regard to the distribution of shares among as large a number of people of the country as possible and the limit to the number of votes that a shareholder would have irrespective of the number of shares he may hold, are satisfactory. Instead of ten votes fixed as the maximum, we would suggest five or even three as the maximum number of votes a shareholder can exercise. In the allotment of shares, we think, the quota for the Province of Madras, namely, forty lakhs, out of the 500 lakhs of the capital proposed is not sufficient and needs a good increase. While our ambition should be to have both the executive appointments of the Governor and the Deputy Governors in the hands of the Indian nationals, to start with, one of the two at least should go to an Indian. A clear majority of 75 per cent of the directorate should be composed of Indians and this should be statutorily provided for. Again in the transfer of shares, the management of the Reserve Bank should have the power not to accept and effect a transfer by which a share is transferred to a non-national. Even in the subordinate branches of the management of the Bank, complete Indianisation should be the ideal to be aimed at, of course, with provision for hiring experts from foreign countries on special terms for a specified number of years, whenever necessary. In these ways effective Indian management should be secured.

It is said in paragraph 8 that a branch of the Reserve Bank need not necessarily be opened in London and that the Bank of England may be appointed as the Agent of the Reserve Bank in England. This, we think, is not a wise proposal and is not in accordance with the prestige that we wish the Reserve Bank should command in the international monetary world. A branch at London is very essential and an absolute necessity and it is only through it the prestige of the proposed Reserve Bank of India has to be increased.

The proposal to employ the Imperial Bank of India as the authorised Agent of the Reserve Bank in places where branches of the Reserve Bank could not be opened, is, in our opinion,

not to the country's interest. The Imperial Bank deserves in no way a better treatment than any other Indian Joint Stock Bank of repute and if it has been acting as the banker to the Government of India hitherto, the privileges granted to it in consideration of its acting as such have been enormous and sufficiently remunerative too. The Reserve Bank itself can open branches, of course in slow degrees, in all the places where they find a necessity for opening them. Instead of doing so, to employ the Imperial Bank of India and to remunerate it for its services both by way of leaving with it some crores of rupees free of interest and paying commission at the rate of 1/16th of one per cent up to 250 crores on the total receipts and payments on Government transactions, and at the rate of 1/32nd of one per cent above that figure is, in our opinion, an extraordinary favour shown to it resulting in an unnecessary expenditure which could be easily avoided. So we suggest that the proposed agreement, for a period of 25 years by which the Imperial Bank of India has to act as the Agent of the Reserve Bank need not be entered into.

We hope our legislators will ponder over these points very carefully when the Reserve Bank Bill is shortly introduced in the Assembly and see that in case the shareholder's scheme has to be accepted, as a last resort, effective and complete national control of the Bank is obtained by framing suitable rules and regulations.

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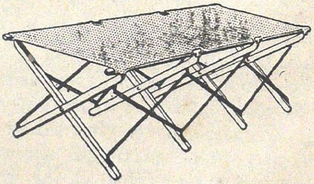

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*The Preparation of Future Organizers and Chiefs of Enterprises.

BY

DR. P. DRAGANESCU BRATES (*Rumania*).

"Commerce is an Art just like other vocations and, in order that it may be a success, a thorough training is necessary.

It is true that, in order to become a good actor, one must be talented and possess exceptional qualities, but anyone may become a good executive with proper training. Art—as Ruskin said—is not a simple distraction and must not be learned during spare time.

Although Commerce has changed in its exterior aspects, its final role and scope, among other human manifestations, remains the same—to find the surplus and search for the client.

Only by practice may one become a good organizer and leader of an enterprise. It is to be noted, however, that all those who become proprietors as a result of practice alone are anxious for a culture, profoundly regretting not having had an opportunity for study. They are always the largest contributors for cultural purposes, because they are well aware of its role and importance.

On the other hand, it is a most ridiculous thing to be a theorist and not possess the slightest idea about practice. Such a person may be called a "Don Quixote."

Therefore, in order to have good organizers and chiefs of enterprises, we must make every effort to encourage persons entering Commerce to follow a parallel course, both in studies and practice.

Practice may be acquired in the office or at the place of employment, but, taken alone, is not an adequate training, the field of experience being limited.

Practice should not take one's entire time and energy. It is absolutely essential that sufficient time be allotted for studies.

Studies are the means of opening up new orientations and they can be followed in the school, in the laboratory, or, in fact, anywhere appropriate for possibilities of developing new ideas and specializations.

For commercial studies, *the commercial schools are designated* to furnish convenient means for the development of initiative and knowledge. I have intentionally mentioned first the development of the spirit, followed by that of knowledge, because there are to be found many schools which give first consideration to the development of knowledge, which I believe to be an error.

I shall not insist upon the question of the programme of studies of commercial schools, but I maintain my view that a specialization should be made during the period of studies at Universities or even later.

The present article deals only with the subject of heads of enterprises brought up in schools, because it is out of the question—except in rare instances—to find important executives of enterprises who lack a sufficient and a proper commercial culture. To believe the contrary would be to admit that one could conceive of coming into contact with great architects, doctors, lawyers, etc., who attained success in their professions without the aid of special schooling.

It is a known fact that in the old days we heard of great warriors who had not been specially trained in a military school, as we also heard of great physicians, constructors, orators, etc., not having had special studies,

*A Paper read at the International Congress on Commercial Education.

but such things were possible in those times, when human knowledge was limited and lacking in development and specialization.

If, at the present time, we still have lawyers, soldiers, architects, engineers, etc., leading commercial enterprises, it may be due to indifference of the public, silence on the part of heads of commercial schools, or perhaps, a certain degree of inferiority or faults of commercial schools; but, surely, it is due to the fact that those who are graduates therefrom *failed to obtain that their rights be recognised,* and this shall be one of the main purposes of a congress on commercial education.

One may say that we are making literature here. For those I quote the following sentence of Macaulay: "English literature is the most glorious, the purest and the most durable of all the achievements of this country; it is this literature, so rich in precious truths and in precious fictions, which exercised an influence broader than our trade, and more powerful than our army."

Roosevelt's Programme in America.

BY

J. S. PONNIAH, M.A., Dip. Econ.,

American College, Madura.

To the Promised Land of Prosperity! That is what the people of the United States of America are looking forward to from the New Deal of their President, Franklin D. Roosevelt. But to the rest of the world the New Deal is a source of wonderment and anxiety.

For the perplexing feature of the amazingly surprising and revolutionary legislation of Roosevelt, 14 major laws passed in 14 weeks, is the inflation of currency. The Farm Relief Act of April 28 provides for the issue of $2000m of Federal Land Bank Bonds for the liquidation of farm mortgages, the nearest parallel to the Solonian legislation of annulling all farm debts ('Seisachthia'). It also provides for the issue of $3000m of Treasury Notes for financing agricultural produce. In addition, the Post Office Savings Banks have been ordered by an executive decree to purchase $100m of Government bonds. The Industrial Recovery Act authorises the President a further issue of $3,300m bonds for the promotion of public works such as highways, public buildings and afforestation. Recently the silver exported from India has been used for the issue of silver certificates as legal tender currency!

This gigantic inflation comes at the top of the repeal of the Gold Standard Act and the rapid deterioration of the external value of the dollar. If the President carries out the power given him by cutting the gold content of the present dollar by 50% inflation of the currency in the U. S. A. would well nigh reach the level of the post war Rouble and the Mark.

America is flying high aloft on the wings of inflation! Prices of farm products have already shot up by 40%. The wheels of industry have been restarted; the steel industry, for example, has doubled its capacity as compared with 1932. Industrial shares have risen by 50%, and the railway shares by over 60%. Wall Street is in sight of a phenomenal boom!

But the grave concern of the rest of the world is that it should not be a repeti-

tion of the 1929 boom which culminated in the crash of the New York Stock Exchange and the deepening of the present depression. The repurcussions of a second collapse, if it occurs, would be unprecedented. For good or ill, America can, to-day, influence the entire course of world economy.

The *Economist* asks, "Will the President be able to ride the whirl-wind he has conjured up"? and answers the question rather cynically. "The wind has been sown; there is every prospect that the crop will be of the familiar biblical character....Mr. Roosevelt has been fortunate enough to call upon the waves to advance when the tide was at low ebb; if he tries to check them when the tide is flowing he may have no more success than King Canute." But it ends with an *If*—a very significant *If*. "If Mr. Roosevelt shows himself to be able to apply the brake when the moment arrives and achieves the miracle of halting the pendulum in the middle of its swing we should everything in our power to assist him".

If Roosevelt succeeds, America stands to gain little by England's assistance! On the other hand it is England and the rest of the world that will gain immensely.

But the pertinent question is whether he will succeed. Hoover failed to check the boom that led to the collapse of the Wall Street in the autumn of 1929 in spite of the magnificient open market operations of the Federal Reserve Board. Will Roosevelt be able to pilot the ship of State to a safe haven after having launched it in the uncertain sea of inflation? Inflation is like a Sorcerer's Apprentice able to start, but impotent to control!

But there are three factors which assure success for Roosevelt. And by far the most potent of all of them is that the President has under his control all the cords of the national economic life—farms, railroads, factories, banks, stock exchanges and all, such as not even the Soviet authorities have ever possessed. This unprecedented 'Economic Dictatorship' should enable him to produce a perfect harmony in a planned economy par excellence with the assistance of his "Brain Trust" the members who constitute a Supreme Economic Council. Hoover had nothing of this kind. And the only control that he exercised over inflation was the monetary control, the raising of the Bank Rate and the sale of securities. But this monetary control has become obsolete in a fast-moving world. This old mechanism is like a man driving a motor car thirty miles an hour and applying the brake that will not begin to act for thirty seconds, by which time he would be quarter of a mile away! But the new control which the President weilds is all-embracing and therefore it should be capable of instantaneous action.

Secondly the so-called inflation measures of Roosevelt are not strictly speaking inflation measures at all. True there is a phenomenal creation of additional legal tender currency to the incredible extent of 10,000m dollars, on which at least five times that amount of more credit currency could also be built up. And yet this is not inflation. For this new currency is secured (not by gold or silver but) by the productive energies of the nation altogether a novel but a scientific scheme of money. The 2000m for refinancing farm mortgages at the nominal interest of 2½% would free the farmer from the crushing load of indebtedness, but at the same time the "Restriction Schemes" prevent him from overproducing those two commodities, wheat and cotton, one of the causes for the present low level of prices. The Industrial Recovery Act with its elaborate Code for every national industry tries to raise wages and employ more men, while at the same time it enforces rationalisation of output and marketing. The huge 3,300m dollars' expenditure on public works is of a reproductive character. perhaps with the doubtful exception of 238m dollars on naval construction. Thus Roosevelt is creating fresh employment and putting fresh pur-

chasing power into the hands of millions of people, the only way to end the present crisis. He is undoing the mistakes of a decade and setting the pace of progress for a century.

But it is asked and with a considerable amount of force that this prosperity is artificial and intangible as it is achieved at the expense of other countries by means of the falling dollar and rising tariff walls. "Self-sufficient nationalism in economics", declared Mr. McDonald, "is the death-knell of advancing prosperity." Unfortunately this dictum of the President of the recent World Economic Conference is inapplicable to the United States of America. It is true that half of her population is dependent on King Cotton for their livelihood and a full one fourth on wheat. But it should be noted that in both these commodities America controls the world markets and therefore world prices have to adjust themselves to the new American levels. Thus America is in a position to control world economy instead of being adversely affected by it. Her position is unique. She has a balanced budget, thanks to the heroic efforts of the President in effecting retrenchment to the magnitude of $1000m! (Contrast what the Indian Government has achieved) She has a credit balance of $289m of visible trade, though this is only one third of her 1929 figures. And the receipts of war debts and interest have been sufficient to produce a credit balance on invisible items to the extent of 131m dollars. No wonder that America is out to play the game of "economic nationalism". It is with this idea in mind that that illustrious Columbia University Professor, the President's contact man, Mr. Moley, declared the other day, "World trade is, after all, only a small percentage of the trade of the United States. This means that our domestic policy is of paramount importance." This, then, is the third factor for the success of the Roosevelt programme.

Other countries, especially the Gold Bloc, and, even England, may fret and foam at the falling dollar and the rising tariff wall, because of their consequent reactions on international trade. But these will be only temporary. The world will benefit from the rising prices, the lifting of depression and the revival of international trade. The push is given by Roosevelt, with his scheme of Reflation. Reflation is not a new bunkum for inflation as some economists are ridiculing it, but a new scheme of scientific money for a planned economy. The world is fast moving away from the discredited gold standard. If the New Deal of Roosevelt succeeds, as it ought to for the reasons outlined above, he will go down into history as the father of "Planned Money" and as "the greatest economic clinic of all time".

Industrialising India.

Constructive Policies and Plan

BY

SIR M. VISVESVARAYA, K. C. I. E., LL. D.

(*Continued from page 243.*)

(iv) *Banking Facilities.*—Complaints were heard before the recent Indian Central Banking Enquiry Committee that existing banks did not afford sufficient financial facilities to local business men. The enquiries of the same Committee recorded the fact that "there are 659 branches in India against 13,000 in the United Kingdom, or one for every 440,000 persons in India as against one for every 3,500 persons in the United Kingdom."

On account of lack of sound policies and organization in this country, the co-operation between commercial men, industrialists and bankers is feeble and the economic activities have no relation to the magnitude of the interests involved.

The success of Germany and Japan in their industrial policies is due to the efficiency of their banking systems in relation to industry and trade.

An effective credit fabric is a *sine qua non* for rapid growth of industries and, in a lesser degree, for operating those already in existence.

Unless industrial banks are brought into existence and form the backbone of our industries, the problem of obtaining finance and working capital will remain just as acute as it is to-day, because no banks of the present type can afford to tie up the capital on long loans which industries would really like to have.

If Indian industries are to thrive, the banking organization should be brought up to the level maintained in self-governing countries like Germany and Japan and in the Dominion of Canada.

(v) *Statistics.*—The statistics of industries at present available are very meagre. Business associations and the public have long been complaining of the inadequacy of this class of information. In April last, the Government of India made a statement in the Legislative Assembly to the effect that the Department of Commercial Intelligence was till then "organized mainly for routine compilation of statistics for publication and was not equipped for assessing economic values." The Finance Member announced that the proposal to create a new department of statistical research and conduct an economic census of India was receiving the active consideration of Government. Some of you may be aware that the Government have had before them for about eight years complete proposals for an Economic and Statistical Enquiry recommended by a Government of India Committee with which I was associated.

It is hoped that, when the new department comes into existence, a census of pro-

duction will be taken at least once in five years, embodying a record of productivity of the various industries in full detail, as is done in the United States of America and Canada and, in recent years, also in the United Kingdom and in Soviet Russia. Russia, it is well known, is Americanising her statistics. Annual variations in estimates of production should be published for the information of the public.

(vi) *The Indian Companies Act and the Managing Agency System.*—The present Indian Companies Act stands as it was last shaped by amendments in 1913 and 1914 before the War. It was based on the English Act in force at the time. As the English Act itself has since been revised, a revision of the Indian Companies Act is now overdue. Most industrial concerns of the world today come under the joint-stock company organization. The working of the Act in India should be examined with the help of public bodies and business men who have studied the question and steps taken to remedy the defects complained of. Similar enactments in countries like Canada and Japan should be also examined and the experience of these countries taken into consideration before a revised measure is placed on the Statute Book.

A form of working public companies in India is the Managing Agency System, which has grown up as a result of local needs and conditions. Managing Agents have done yeomen service in the past. Without them, in the peculiar circumstances obtaining here, so many undertakings would not have come into existence nor would many of those companies have survived in times of financial stress without the personal interest of firms of Managing Agents.

But several abuses have sprung up in the working of this system. The existing law gives too much discretion to the Managing Agents and too little scope for control or check by any public authority or by representatives of shareholders in the event of mismanagement or even of corruption. For all practical purposes, the Agents appoint directors from among friends and relations instead of at the choice of the shareholders. Some Managing Agency firms charge commissions on both purchases and sales, even during years in which shareholders get no dividend. Latterly, the Agencies have come to look upon themselves as hereditary establishments and their remuneration as part of their family income.

In order to do away with these evils, the Indian Central Banking Enquiry Committee (1931) has suggested that "an attempt should be made to make industrial enterprise in India less dependent on the Managing Agency System for future development and to establish direct friendly relations between companies and commercial banks." The whole question requires to be threshed out by a committee of influential business men familiar with local conditions before a change in the law affecting the system is effected.

SOME CONTRIBUTORY FACILITIES.

I have described half-a-dozen major requirements for the organization and development of industries. There are, however, at least as many supplementary facilities to

be provided for, which should not be ignored in this connection.

(vii) *Exhibitions and Museums.*—Industrial exhibitions are happily becoming a common feature in various parts of India. The practice of holding them is well understood. Every large city, district headquarters and business centre should have an industrial and commercial museum, which should interest itself in holding exhibitions and fairs, in providing practical education, in propaganda work and, generally, in stimulating local effort in the field of industries. The responsibility for financing periodical industrial exhibitions should be shared by municipalities and district boards in every part of the country. At the present time, propaganda through *swadeshi* journals is being conducted with a certain amount of zest. Its object should be solely to increase production, promote technical skill in the working population and reduce the money spent on imported goods.

(viii) *Experimental and Demonstration Stations.*—Industrial experimental stations should be established by the Government Department of Industries in large cities, and other industrial centres, to give practical instruction in at least half-a-dozen minor or cottage industries in order to bring employment to, and produce the commodities needed in, the immediate neighbourhood. At these stations, experiments, either full size practical or on the unit operation basis, should be conducted to instruct managers of small size industries and apprentices to manufacture products of high quality at minimum cost. These stations may give instruction and guidance in a variety of industries and occupations, according to local needs and the resources at their disposal. I have seen such experimental stations operated with great profit in cities like Osaka in Japan.

(ix) *Industrial Research.*—Investigation of business conditions and scientific research should be continually pursued in relation to every important industry in order to improve the quality of the products, reduce costs of manufacture and maintain its competitive strength. Such improvements are necessary in themselves and certainly indispensable in the face of foreign competition. The Balfour Committee on Industry and Trade in England (1928) has stated that the amount spent in the United States of America upon industrial research annually was approximately Rs. 22.5 crores. The British Government provided for the year 1932-33 a grant of £ 296,620 (over Rs. 40 lakhs) for Research and Development through the Empire Marketing Board.

If industries of the same class would work together, they might all subscribe towards a common fund to carry on research. The universities should be able to supply the necessary scientific equipment and trained intelligence for the purpose. Research problems pertaining to industries might in this way be distributed, as in Germany, among the various institutes of science and university colleges of engineering and chemical technology. Such distribution should become a common feature of the Indian universities and institutes of science. Unfortunately, however, indus-

trial application of scientific research as compared with progress in theoretical science is very backward in this country. But so far as the activities of the Indian Institute of Science, Bangalore, are concerned, we need have no misgivings for the future; for, under the fostering care of such a distinguished scientist as Sir C. V. Raman, the Institute is destined to play an important part in the industrial regeneration of the country. Valuable spade work has been done by his predecessors.

(x) *Education: Technical, Commercial, etc.*—We have seen that universities should be able to provide the necessary equipment and graduate personnel for industrial research. They should recognize that the country is over-populated, that the income of the people is miserably low, and that their first concern should be to equip the great majority of young men and women who pass their portals with the training needed to earn a living. The animal wants of a community are fundamental; when these are lacking, culture, recreation, refinements are a mockery.

The universities should also give special prominence to degrees in technology, commerce and agriculture. When I visited the Tokyo University in 1919, the largest number of under-graduates in that university were preparing themselves for a degree in commerce. A practical proposal of that character in India would probably be received with ridicule in our university circles.

There should be a large number of special business institutes and schools in the country at which graduates and middle-class business men might receive the finishing touches of training needed to manage a factory, farm or shop. Industrial and technical institutes and universities should arrange for regular evening classes by acknowledged experts in all industrial towns, to enable practical men to improve their knowledge and qualify for more responsible positions in their own business.

Other educational facilities needed are the deputation of students to foreign countries; changing the character of education in all grades of institutions so as to provide an industrial bias; and extensive mass education, special attention being given to the education of adults.

Lastly, the majority of the rural population should, as in the United States of America, receive training in mechanics, to make them efficient producers in industries and give them a "machine sense". This will bring the education of the masses to practical standards.

(xi) *Foreign Trade Agencies and Commercial Intelligence.*—In the year 1930, the Government of India proposed to appoint six Indian Trade Commissioners in Europe, America, Africa and the Near East with the object of developing India's export trade in foreign markets. The centres selected for these commissioners were Hamburg, Milan, New York, Durban, Mombasa and Alexandria. It is not known how many of these offices have been opened; and, even if all of the six offices have been, the number is wholly inadequate.

There is a Commercial Intelligence Section in the Commerce Department of the

Government of India, but it is shaped on a very modest scale and very little is heard of the department's activities outside Calcutta. The Dominion of Canada has a total trade of about the same volume as India and is maintaining more than 35 Trade Commissioners abroad. These officers report to their Government from month to month all important happenings and developments in industries and trade in the countries to which they are accredited and the reports are published in the *Commercial Intelligence Journal* of Canada, a weekly journal, issued by the Department of Trade and Commerce, for the benefit of Canadian business men. Similar arrangements are overdue in the interests of industries and trade of this country.

(xii) *Railway Freight Rates.*–Freight rates on railways have to be examined and readjusted from time to time according to the needs of industry and commerce. The existing arrangements, in spite of the appointment of the Railway Rates Advisory Committee, have not given satisfaction to Indian industrialists. An impression prevails that there are concession rates for imported goods but the rates and fares from and to industrial centres within the country impose a burden on industry. The interests of industry demand that the rates for coal, cotton and other raw materials to industrial centres and for finished products from those centres to internal markets should be the lowest possible. The adjustment would be easy, if Government were advised in such matters by an All-India Economic Council.

FACILITIES GIVEN IN PROGRESSIVE COUNTRIES.

In all progressive countries and in Great Britain itself, it is part of the regular policy of Government to aid industries. For instance, since the close of the War, the British Government have given direct assistance to industries in various ways by levying anti-dumping duties and by investing public funds in national enterprises like the Cunard Steamship Company, the British Dyestuffs Company and the Home-grown Sugar Company. According to a statement of Mr. J.M. Keynes in 1927, two-thirds of the capital invested in large scale undertakings was in enterprises of a State capitalist character, *i. e.*, enterprises either in State hands or subject to some form of State regulation and control. The British Industries Fair in London and Birmingham is a regular annual function under Government auspices. A yearly grant is made to the Empire Marketing Board, that for the year 1932-33, being £ 300,000. The Trade Facilities Act and the subsequent Export Credit Insurance Scheme were designed to assist industries and trade which were adversely affected by the War.

The United States of America built up its industries by raising a high tariff wall against foreign goods. Very recently the Senate of the States went to the relief of industries by creating a 2,000 Million-Dollar Corporation to make advances to railways and other financial utilities which cannot otherwise secure credit. The Corporation also facilitates export of commodities by American agencies. A few weeks ago the President of the United States signed the

Industrial Control Bill which gives the Government unprecedented powers to encourage and, if necesary, enforce sweeping regulations in industrial output, wages and prices for two years.

Before the year 1911, the Dominion Government of Canada, in spite of that country's immense agricultural potentialities, built up its iron and steel industries by granting bounties for the long period of 28 years in addition to tariff protection. The same Government also takes infinite pains to gather and publish commercial and industrial statistics and information in the interests of business and for securing profitable employment for its people.

Infant industries in Soviet Russia are protected by high tariffs. Many of the raw materials which were formerly being exported are now utilized for internal industries. The economic revolution in Russia is essentially an attempt at industrializing that country.

In Japan, Government themselves financed many pioneer business undertakings and also set up factories which were afterwards sold to private individuals or companies. They give subsidies and subventions to private enterprises and send out special investigators to foreign countries to learn new processes and efficient methods of operating industries. In one of my visits to the Bureau of Standards at Washington, the business heads of departments of that institution informed me that not a week passed without some representative from Japan visiting the Bureau to gather information in some department or other.

We find an altogether differnt state of things in this country. Sir Basil Blackett, a former Finance Member of the Government of India, speaking before the Royal Society of Arts in London, on January 10, 1930, said, "The effect of the West on India, and, in particular, the reaction upon India of the industrial revolution in Great Britain and the consequent influx of machine-made goods, had during the nineteenth century seriously impaired the village economy of India and had reduced the output and the value to India of many of the indigenous manufactures previously exported, for which India was famous." "The Indian Government," he went on to say, "was dominated by the ideas of the Manchester School and restricted its intention in economic spheres and its taxation to the minimum needful to maintain law and order." It is apparent from this that in an industrial age, the Government policies of this country have tended to reduce employment in industries and to restrict the people to the one precarious occupation of agriculture.

The suggestions I have made are in accordance with world practices to-day. Sir Arthur Salter of the Secretariat of the League of Nations, who was consulted by the Government of India in June 1931 on these questions, also recommended the early establishment of Central and Provincial Economic Advisory Councils almost on the lines set forth by me. It is not known what orders the Government of India have passed on Sir Arthur's report or whether they have any alternative proposals in view. "Indian industries," he remarked, "while already im-

portant enough, are at present small in comparison with her agriculture, and small also in relation to the future extension which they are no doubt destined to achieve." This is another way of saying what I have already expressed in plainer language, that India is not utilizing her abundant resources and unequalled opportunities for industrial development.

I will quote the view of another Englishman, Mr. Roberson Taylor, Chairman of the Punjab Chamber of Commerce, who at an Annual Meeting of that Chamber, three months ago, said, "India possessed in abundance all the conditions natural for a great industrial future" and "unless the country in the years to come can provide a wholly unprecedented industrial development, the level of subsistence of the country which is now dangerously low will become much worse." I have not given the opinion of any representative Indian economist in this connection because I cannot think of any one to-day who will advocate a policy of "hasten slowly" in this matter of industrial development. I trust you are satisfied that the two representative Englishmen whose views I have quoted fully corroborate my main contentions.

SIMLA INDUSTRIES CONFERENCE.

We have read in the papers the announcement that an Industries Conference will be held at Simla on the 13th instant and that it will be attended by the Directors of Industries and Ministers in charge of the Industries portfolio in the various provinces. Judging from the published agenda, it will be a gathering exclusively of official representatives; business men or other non-officials will take no part in its deliberations.

Since adequate statistics are not available and no values are recorded of production from industries, there will be, presumably, no review of past achievements, no starting point for the coming year's work, and no plan for the future. With past experience before us, it will be safe to predict that a few isolated questions may be discussed at random, but there will be no precision, no point. As a result, some work, no doubt, will be done in the coming year, some more reports written, perhaps a few more appointments made; and when the Conference comes to meet next year, if it meets at all, there will be the same indefiniteness as there is at present and no one will be appreciably the wiser for the year's work.

If the coming Conference wishes to depart from precedent and to strike out boldly a new line of action demanded by the exigencies of the moment, I would specify a few things that should and might be done.

First and foremost, steps should be taken to gather reliable statistics, such as, number of Indian concerns, share of Indian capital invested, gross income, value of products and other similar data including those of minor industries These will afford a starting point for the coming year's work, and a similar stock-taking next year will indicate the progress made in the intervening year.

Secondly, some steps should be taken to introduce an industrial organization on the

ines explained by me at some length in this address or in the alternative, the one recommended by Sir Arthur Salter. In the former case, there are at least a dozen heads of requirements the deficiencies in which may be categorically examined by an expert committee.

Thirdly, the Conference might plan an increase of production from industries so as to make the income therefrom equal to the total income from agriculture, say, within ten years' time. Some such conception of the pace of progress is necessary to regulate the scale of operations. If the present income from industries in India is taken at, say, Rs. 400 crores and that from all other sources at Rs. 2,100 crores, it would not be an extravagant expectation to plan an increase of the total yearly income to Rs. 5,000 crores in the course of the next ten years.

A fourth suitable measure would be to grant subsidies to and subscribe towards the capital of companies dealing with new products. If Government did this, they will be giving a very real assurance of their sympathy and support. For this purpose, Government might borrow as a first instalment, say, Rs. 25 crores; and towards the payment of sinking fund and interest charges of that loan, set apart Rs. 2 crores annually from their current revenues. A few concerns might fail or cause disappointment; but, with proper precautions, the outlay as a whole will ultimately be returned a hundred-fold in national dividends.

A fifth desirable measure would be to induce Provincial Governments to pool their resources and facilitate the establishment of at least one factory for each of the large scale industries not yet started in the country, such as, automobiles, railway plant and machinery, mill machinery, electrical appliances and machinery and large size turbines, engines and pumps. It should be remembered that India has the third largest railway mileage in the world and yet does not manufacture her own railway machinery and plant.

A sixth measure is to advise the people by propaganda to reduce the imports of finished goods as far as possible, an exception being made in the case of machinery and plant required for industrial construction.

Yet another measure would be to introduce a change of policy in the Central Government so that they may act as a co-ordinating authority and place at the head of the whole Industrial organization for the coming year, an officer of recognized ability and enthusiasm.

No great results have ever been accomplished without organization, and I can only repeat that unless the ensuing Conference places fundamentals on a proper footing, adopts some sort of organization or system and maps out a definite plan and programme for the future, its work is likely to prove unsubstantial.

THE PRESENT AND THE FUTURE.

By neglecting industrial pursuits to the alarming extent revealed by the statistical information now before you, you will agree that India has been following policies in

this respect prejudicial to her national welfare.

The chief need for the success of an industry in these days is a market for its products. That market we have at our very doors. Our labour supply is unlimited and cheap. And our unemployed are so numerous that no count is kept of them. In fact, when the Prime Minister Mr. Ramsay MacDonald gave figures of world unemployment in opening the World Economic Conference the other day, he took no notice of the Indian unemployed. Since the tariff on sugar was raised, nearly Rs. 4 crores of Indian capital have been attracted to that industry showing that the slow development is not due to even lack of capital.

Dependence on foreign manufactures for staple products, such as clothing, steel, sugar and salt which, the people of this country were at one time not only manufacturing for themselves but also exporting to foreign lands, would, in any part of the world, be regarded as a sign of grave national decay. If purchases of clothing and such other necessaries have to be paid for from the meagre earnings from agriculture, as is done here, no country can escape impoverishment.

The result of past neglect of industries has been deplorable. There are too many people dependent on agriculture and too few on industries. The balance between agriculture and industries is dislocated. The income per head of the population is the lowest among countries which have an ordered Government. *The average per capita income from industries is insignificant*, being as low as about one-fortieth of that in Great Britain or one-eightieth of what it is in the United States of America. The foreign debt of India is growing and the peasantry is heavily immersed in debt. In a year like the present, the ryot has no purchasing power; all occupations are starved. Last year, the unfavourable balance in foreign trade amounting to Rs. 40 crores was made good by export of distress gold. Tens of millions in rural areas live in abject poverty, and tens of thousands of graduates and educated young men are seen roaming about the country in search of employment.

Our only hope of advance in the immediate future, therefore, lies in the rapid industrialization of the country.

I do not believe that the authorities in Simla would be unwilling to help industries if they could. But the more important questions raised are outside their powers of action or decision. The problems involved are political and there is an inherent conflict of interests. There has been little progress in the past, because in shaping policies and measures, the existence of this conflict has been ignored. The problem must be met by concessions and compromise on both sides. The Government of the country should make up its mind to do for the people in this matter what other national governments are doing for theirs. Real economic progress is not possible with a non-modern organization such as we have and with the ideas of the Manchester School referred to by Sir Basil Blackett still dominating the policies of the Secretary of State and the Central Government.

India may be an industrially developed country or it may be a market for manufactured goods from outside. But it can never be both.

Initiative, self-sufficiency, and wealth cannot be built up so long as 90 per cent. of the people are illiterate, and so long as there is neither design nor policy in the Government of the country to educate and awaken them to a sense of their degradation and weakness.

India cannot prosper except through rapid industrialization, and rapid industrialization is not possible with the sort of organization and policies hitherto adopted for the purpose.

Industrialization has to be organized, planned and worked for. If left to the

chances of natural growth under the existing unnatural limitations, it is impossible to expect any real progress. Not only can there be no progress, but there is a very real danger of a further set-back, a further drift towards ruralization, with consequences which one dreads to contemplate. It is for those in authority to consider whether by timely and effective measures such a drift should not be checked and checked at once.

Let us hope that, in drafting the proposed safeguards, the statesmen and delegates engaged in framing the new Constitution for India, in London, will take note of the grave disabilities upon which I have endeavoured to lay stress and which threaten still further to lower the income and standards of living of our people.

Economic Depression in Travancore.

BY

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III.—FOREIGN TRADE.

The Dewan, Mr. Austin, assumed charge of the administration on 19-2-32/7-7-'07, a very auspicious time of the Malabar Era, because of the happy astrological prime of the Reign and Regime centred in the virgin resources of the Ruler and the State. We are in order to show the search light for the time being into the Report on the Bugbear passing current as Economic Depression. We are not without fears, nevertheless, that such limbs of the Administration, styled, in the abstract, the Insolance of Office, see things best on the Surface, least resisting the inner Strata and conveniently pass over those under, as not furnishing data to fill the Official Statistical Volume. 'He that hath ears to hear, let him hear!' is the Injunction of the Lord; and, we proceed. The officially prepared address of the Dewan is the food for our reflection. It says: "Travancore has not escaped the effects of the world-wide economic depression; and with the degree of economic interdependence of countries now attained, isolation is impossible and as a result, foreign trade has been adversely affected. The finances of Governments and of individuals have been equally disturbed with the prolonged existence of abnormal and unprecedented conditions. Every department of Governmental activity has been visited by the ill effects of the present situation and you will find evidence throughout the *Administration Report.* The arrears under Land Revenue have increased; the number and value of documents registered have both gone down; foreign trade has decreased; the receipts from Forest and Sale of Government lands have declined; the growth in the number of school-going children has suffered a set-back; and arrears have accumulated in Co-operative Societies.... ..The Economic Depression Enquiry Committee has submitted its report together with separate dissenting minutes by the non-official members. The Committee has traversed a wide field and has made definite recommendations on a variety of subjects, such as concessions to be granted in regard to land tax, loans and other facilities for cultivation, reduction of tariff values for assessment to export duty, freight concessions, Suspension of *Chitties*, arrangement for the collection of reliable statistics, and retrenchment. Some of the recommendations of the Committee have already been acted upon. No time will be lost in considering the others and in giving effect to those that will be found acceptable.

Firstly, examine how foreign trade has been adversely affected. International rela-

tions developed through extensive commerce. The old idea of bartering in limited circles expanded itself to exchange, as civilisation progressed, latitudinally and longitudinally over the globe of nearly 52 millions of square miles in area of *terra firma*. Bartering meant exchange of goods for goods in all conceivable permutations and combinations. Exchange, the trading term, confines itself to Gold, Silver, Copper, Nickel, in the descending order. 'Silver and Gold have I none; but, what I have, I give unto thee!' may be good religion to keep the nations as an integral whole, but, bad business among the many units of the world of commerce. 'Give unto Caesar the thing that are Caesar's', is the first axiom of all trade relations from Pole to Pole in all the Degrees of Latitude. Not one, to keep one's face up, may think of any unexplored or unexploited latitude. Those who have sufficient backing of metalic coinage have enough liberty to issue any other form of credit, say paper, in exchange for every other wealth. Trash thought, word, and deed, all is treasure for such favourites of creation. God, never mind, extols them as Mammon with exclusive privileges, far beyond the jurisdiction of Heaven until Doomsday. The negative Mammon in Religion is the positive figure of Power in the world of Finance. Financier is his hallowed appellation as the trading term. The farthing of the financier, or, to use layman's language, the Comptroller of Trade, fetches tons of goods, raw and manufactured. Producers and Consumers of the necessities of life are left to the tender mercies of the *Money Changer*, the apt word by God.

To fight against Mammon, to combat the deepening, gaping, Gulf of Depression down to his Empire of Hell, God has sent us the good *Manna* to gather in time and store it; and, He prepared ourselves to meet any rainy day. We have only to take pretty good care that our good moneys, *Sankhu-Chakkrams* do not go out of our state, more than what is absolutely necassary to keep our interdependent Foreign Trade intact. It is time to scrutinise the figures under this Head for the last economically depressing financial year.

Produce of the Cocoanut, Arecanut and Palmyra trees; Cocoanut; Laurel and Lemon Grass oils; Hides; Green and dry ginger; other articles such as Prawns and other varieties of fish, Pepper, Fuel, Charcoal, and Rice—all to the total value of Rs. 9,65,15,615, were exported. All these exports are dutiable, save Coir, Coir mats, Coir matting, Coir fibur, Coir rugs, Coir druggets of the Cocoanut tree, and Palmyra fibres and rafters. Exports, duty free, are grains and oil seeds, Leather goods in Hides and Skins, and miscellaneous and unclassified goods such as Aloe yarn, Arrow root, Bamboos, Bamboo mats, Books, Bricks, Copper and bell metal, cashewnuts, cardamams, coffee, Timber, wearing apparel etc. Imports are to the value of Rs. 7,65,58,897. Drink and Tobacco such as spirit preparations, wines, and Beer Food, such as Confectionary, Dates, Coffee seeds, Tea; articles wholly or mainly manufactured, chemicals, Drugs and medicines; Furniture and Cabinet ware; Earthenware and Porcelain: Glass and glass-ware; Cutlery and hardware; Iron and steel, and other metals; Instruments, apparatus, appliances and parts thereof; stationary and paper; yarn and textile fabrics; Miscellaneous such as Cycles, Beltings etc.—these are dutiable. Imports, duty free, are Fish, Fruits and Vegetables, Grains, Pulses, and Flour, Oilman's stores, Spices, Sugar, Petrol, Foreign liquors, Gums, Resin and Lac. The total volume of trade to the extent of Rs. 17,30,74,512 is directed to and fro British India by land 31·57 p. c.; by back water 39·70 p. c.; by sea 17·24 p.c.; sea borne to and fro Foreign Countries, being Pondicherry and Marseilles, 0·15 p.c.; Ceylon, 0·94 p. c.; The United Kingdom, 5·37 p. c.; America, 2·70 p. c.; Other countries, 2·33 p. c. From the stand-point of the Customs Revenue, affectations from Economic Depression without, are negligible. The Interportal Trade Con-

vention of 1865 A. D. entered into with the British Government guaranteed Rs. 53,218 income to the State, the deficit, if any, being made up by the India Government to the extent of Rs. 40,000 a year. All imported goods, which are produced in Cochin or British India or which paid duty there, are not subject to any further levy here. Tobacco, Salt, Opium, and Spirits are without the Convention. Direct importation from abroad is also saved. Nevertheless, much water has flown under the bridge from 1865 A. D. to 1932 A. D. It is time to revise the Convention, perhaps already on the anvil of the Constitutional Adviser. From the stand-point of the commercial section of the population, there is nothing depressing at all. There is Rs. 1,99,56,718 of liquid cash to carry on prosperous trade with. Exports Tariff is revised from Rs. 20 to Rs. 16 per cwt on copra; Rs. 60 to Rs. 48 per 1,000 on Cocoanuts; Rs. 15 to Rs. 12 per cwt on Coir; Rs. 8 to Rs. 4 per cwt on Cocoanut husk (green and soaked); Rs. 15 to Rs. 12 per cwt on Cocoanut oil; Rs. 5 to Rs. $1\frac{1}{4}$ per pound of Lemon grass oil. Ginger (green and dry), prawns, Turmeric (finger) stand reduced from Rs. 25, $37\frac{1}{2}$, $37\frac{1}{2}$, 15 to Rs. 16, 25, 25, 10 per cwt respectively. Inference is clear. Trade has not suffered. We would only suggest that exported rice or paddy should carry heavy tariff.

USE SWADESHI VEGETABLE SOAPS !!!

MALABAR SOAPS

Sandalwood Soap
Lily-Rose Soap
Jasmine Soap
Limda (Vep or Neem) Soap
Turkish Bath Soap
Shaving Stick
Liquid Toilet Soaps

Vegetable Soap Works,
PROPS: (SAIT N. P. & CO.) CALICUT.
Manufacturers of Renowned Sun-Brand Umbrellas.

Reserve Bank Proposals.

The following is the report of the Committee on the Indian Reserve Bank which recently met at London :—

1. It was recommended by the Federal Structure Sub-Committee of the First Round Table Conference that "with a view to ensuring confidence in the management of Indian credit and currency, efforts should be made to establish on sure foundations and free from any political influence, as early as may be found possible, a Reserve Bank, which will be entrusted with the management of currency and exchange." The Financial Safeguards Committee of the Third R. T. C. recommended "that steps be taken to introduce in the Indian Legislature a Reserve Bank Bill conceived on the above lines as soon as possible. In the report of the committee, it was also placed on record that "the Secretary of State undertook that representative Indian opinion would be consulted in preparation of the proposals for the establishment of a Reserve Bank, including those relating to reserves." The present committee has been set up in pursuance of that undertaking.

2. We understand that the Bill, when drafted, is to be placed before the present Indian Legislature with a view to its being brought into force before the expiry of the existing constitution. The provisions of the Bill therefore will have to be designed to fit in with the existing constitution, but in discussing them, we have kept in view the conditions contemplated under the new Federal Constitution, and endeavoured to frame proposals on the lines which would require minimum of adaptation to those conditions. A complication arises from the uncertain future of Burma. We have, however, assumed that Burma, if separated, will continue to utilise the Indian currency system and that no material changes in the Reserve Bank Act will be required.

3. We fully accept the principle that the Reserve Bank should be free from any political influence. The best device, which practical experience of other counrties has evolved for achieving this object, is that the capital of the Bank should be held by private shareholders (Mr. Ramsarandas records his view that the Bank should be State-owned), and we recommend that this plan should be adopted in the case of India.

4. In formulating a scheme for the constitution of the Board of Directors, we have borne in mind the importance of securing representation of the economic life of India as a whole, while at the same time guarding against undue influence in the affairs of the Bank, by sectional interests acquiring control of voting power. The proposals below are designed to fulfil these aims, but their efficacy will depend in the first place, upon proper restriction of voting power. We propose that the denomination of shares should be Rs. 500. On this basis, we recommend that the minimum voting qualification should be two shares, which must have been held for at least six months and that the maximum number of votes that may be exercised by any one shareholder, should be ten. If such limitation is imposed on the voting power, we do not think it necessary to place any restriction on the amount of capital to be held by any one shareholder. Such restriction would place undesirable obstacles in the way of free marketing of shares.

THE BOARD OF THE BANK

"We consider that the Board should be as small as practicable. The majority of the Board of Directors should, in our opinion, derive their mandate from the shareholders. We do not recommend that a special provision should be made for representation on the Board of commercial bodies as such. In view, however, of the fact, that, in the parti-

cular circumstances of India, election may fail to secure representation of some important elements in the econmic life of the country, such as agricultural interests, we recommend that a minority of the Board should be nominated by the Governor-General-in-Council under the present constitution and by the Governor-General at his discretion under the new constitution, it being understood that this power would be exercised to redress any such deficiencies.

"We agree, generally, that the Board should be constituted as follows: Eight directors representing shareholders; four directors nominated by the Governor-General-in-Council; one Governor; one Deputy Governor (or two if two are appointed) with no voting power; and one officer of the Government with no voting power. We contemplate that the Governor would ordinarily attend all meetings of the Board, but if, he is unable to do so on any particular occasion, we consider that his vote should be exercised through the Deputy Governor authorised by him to act as his substitute.

6. The plan which we recommend for the appointment of directors to represent the shareholders is set forth in the next para. It involves a division of India (including for this purpose, Burma) into five "areas", the election by shareholders resident in each area of the members of the Local Board, and the selection by the latter, from among themselves, of directors, to represent the respective areas on the Central Board.

7. In Appendix II (omitted) will be found in tabular form our proposals for geographical divisions of the country into areas and for the allocation among them of seats on the Central Board and the initial allocation of share-capital.

It is suggested that Bombay should be the headquarters for the Western area (two seats on the Central Board), Calcutta for the Eastern area (two seats), Delhi for the Northern area (two seats); Madras for the Northern area (one seat); and Rangoon for Burma area (one seat).

The number of Local Boards for this purpose should not be capable of increase.

The electoral scheme in the 1928 Bill provided for the inclusion of all the Indian States in the Delhi area. We consider, however, that States should, for this purpose, fall into their natural geographical divisions, and our proposals have been made on this basis.

We propose that five members should be elected to each Local Board by the shareholders resident in the area according to the definition in clause 4 (4) of the 1928 Bill. The members so elected should appoint from among themselves directors to represent the area on the Central Board. Provision should be made to enable a substitute director to be appointed from and by a Local Board in case a director representing it is unable to attend a particular meeting.

8. Clause six of the 1928 Bill provides for the opening of offices at the headquarters of the five areas which we propose. We observe that this clause as it stands would oblige the Bank to establish a branch in London. We understand that it is the recognised practice of Central Banks to conduct their operations in another country through the agency of the Central Bank of that country. We do not consider that the Board should be precluded by statute from following this practice. We therefore, recommend that the words "and London" should be omitted from clause 6, the effect of which will be to make the establishment of a London branch optional. Should the Bank arrange to employ the Bank of England as its agent in London, we contemplate that the arrangement would be reciprocal, and that the Bank of England would employ the Reserve Bank as its Agent in India.

9. Apart from their function as the machinery by which directors are appointed, Local Boards would have no executive duties, except such as may be delegated to

them by the Central Board. Otherwise they would be purely advisory bodies. In particular, they might play a valuable part in the scrutiny of commercial power analogous to the functions of discount committees established in Belgium, Bulgaria, Japan and Lithuania. With a view to ensuring that all appropriate interests, Agriculture and Indian States in particular, are adequately represented, the Central Board should be empowered to nominate to each Local Board not more than three additional members. These additional members should be full members of the Local Board, except that they should not be eligible to be returned as representatives of the area on the Central Board, nor to take part in the selection of such representatives.

QUALIFICATIONS OF ELECTED DIRECTORS.

As regards qualifications of elected directors, we consider a provision on the lines of sub-clause two of clause eleven of the Bill of 1928 to be desirable. We should also provide that within six months of their appointment to the Central Board, four nominated directors must become possessed of the same share qualifications as is prescribed for directors elected by share-holders. We do not, of course, suggest that the share qualification must be acquired by the Governor, Deputy Governor or Governors or the Government Officer. We accept the disqualifications set out in clause eight of the 1928 Bill to which, however, we could add "insolvency". We have considered whether disqualification against Government officials should apply also to officials of Indian States. We are all agreed that so far as the elected members of the Central or Local Board are concerned, this disqualification should apply, but as regards nominated directors, either on the Central or Local Boards, Indian States' representatives have pressed that an exception should be made. Recognising that there might on occasions be practical difficulties in finding suitable unofficial representatives of Indian States, the majority of the committee are prepared to recommend an exception in this case, provided that it shall not apply to officials of the Government of India lent to an Indian State.

11. The qualifications and disqualifications applicable to members of a Local Board, whether elected or nominated, should, subject to what is said in para ten above, be the same as those applicable to elected members of the Central Board.

12. We recommend, in order that the Reserve Bank may be able to commence operations that the first appointment of directors should be made by the Governor-General-in-Council, suitable arrangements being made for the retirement in rotation.

APPOINTMENT OF GOVERNOR

13. The method of appointing the Governor is a matter of the highest importance. It is essential that this officer should command general confidence both in India and abroad. As regards the appointment of a Governor and Deputy Governor (or Deputy Governors), the majority of the Committee hold that the Governor-General, in his discretion, should be the appointing authority, when the new Constitution comes into force. Those who were of this opinion felt no doubt that before making these appointments, the Governor-General would ascertain the views of the Board of the Bank. A minority of the Committee, however, hold that these appointments should be made by the Board of Directors, subject to the approval of the Governor-General. An attempt to harmonise these views was made by proposing that the existing provision of the Imperial Bank constitution should be followed in drafting the Bill, and that the Governor and the Deputy Governors should be appointed by the Governor-General after a consideration of the recommendations of the Board of the Bank. This solution as a

Compromise was acceptable to all the members of the Committee except four.

SHARE CAPITAL AND SHARE REGISTERS.

14. We recommend that the original share capital of the Bank should be five crores, divided into shares of Rs. 500 each, which should be fully paid; that the initial allocation as between the five areas should be on lines indicated in Appendix II; that a separate share register should be maintained in each of the five areas and, that shares should be transferable from one register to another, so that there would be a free market in them, but shareholders should only be entitled to vote in respect of the areas in which they are resident.

STRUCTURE OF THE BANK.

15. The two previous Bills provided for separate Issue and Banking Departments as in the case of the Bank of England, and we understand that this provision has met with general approval in India. We recommend that the new Bill should be drafted on this basis.

BUSINESS OF THE BANK.

16. We approve in general the provisions of clauses seventeen and eighteen of the Bill of 1928, but we consider that some extension may be required to enable the Indian State to participate.

17. The Banking Enquiry Committee recommended that additional provision should be made enabling the Bank to make loans and advances on the security of movable goods, wares and merchandise as well as against warehouse warrants and warehouse receipts, representing such goods. We do not feel able to recommend any such provisions, since it would tend to render the Bank's resources less liquid and might involve it in undesirable competition with commercial banks.

18. An important question arises in regard to clause 18. Since the Hilton-Young Commission reported and the previous Bills were drafted, the banking practice in other countries has developed in the direction of utilising open market operations to an increasing extent for the purpose of regulating credit. Clause eighteen, as it stands, might be read as necessitating a meeting of the Board on each occasion on which such operations are required. Since action may be necessitated for the purpose of regulating credit with a degree of urgency which does not permit prior consultation with the Board, it should be made clear that the Board is not precluded from delegating to the Governor powers in this behalf for the above-mentioned purpose.

EXCHANGE OBLIGATIONS OF THE BANK.

19. Questions which arise in connection with exchange obligations to be imposed on the Bank present a special difficulty in the existing circumstances. In the prevalent state of the monetary disorganisation throughout the world, it is impossible, to incorporate in the Bill provisions which would necessarily be suitable when the monetary systems generally have been recast and stabilised. In these circumstances, we consider that the only sound course for India is to remain on the sterling standard, on this basis, exchange obligations incorporated in the Bill must necessarily be in accord with the rupee sterling ratio existing at the time when the Bill is introduced. This statement does not however imply any expression of opinion on the part of the committee on the merits or demerits of the present ratio. The ratio provisions in the Bill are designed to make it clear that there will not be any change in the de facto situation by the mere coming into operation of the Reserve Bank Act. A considerable majority of the Indian delegates feel it their duty to record their view that a suitable exchange ratio is one of the essential factors for the successful working of the Reserve Bank. They

point out that considerable changes have occurred in the currency policies of almost all the countries of the world in the last few years. In their view, it is for the Government of India and the Legislative Assembly to examine these and all other relevant considerations, with a view to ensuring that the minimum possible strain is placed on the currency system of India. We are all agreed that it should, in any case, be made clear in the preamble, that the whole question of the monetary standard best suited to India will have to be reviewed when the international monetary position has clarified itself and become sufficiently stable to make it possible to frame more permanent provisions.

20. It will be necessary in the Bill to provide limits to the range of exchange fluctuations by prescribing upper and lower points at which the Bank will be required to buy and sell on demand Sterling for immediate delivery. According to the practice now prevailing, the upper and lower points have, in fact, been retained as though the rupee was still on the gold basis. As the fixing of new points would, in any case, have to be on an arbitrary basis, we recommend that this practice to which the public have become accustomed should be continued.

ISSUE DEPARTMENT.

21. The assets and liabilities of the Issue Department for the purpose of providing for rupee redemption requires consideration in view of the large return of rupees from circulation since the Hilton Young Commission reported, and the indications as to the propable trend of the movement of rupees in and out of circulation in the future. We recommend that as the future return of rupees over a series of years is likely to be considerably less than in the past few years, the Rupee Redemption Fund should be dispensed with, and in its place the following scheme should be adopted:

(1) The amount of rupees transferred at the outset to the Bank should not exceed Rs. 50 crores;

(2) Any surplus of rupees which this arrangement would enable the Government to remove from the reserve should be held by the Government in a separate account, silver being held as bullion and not as coin. Subject to further consideration by the Government of India, any proceeds from the realisation of such rupees should not be used except for the purpose specified in (3) below;

(3) In any year in which the minimum holding of silver rupees by the Bank exceeds fifty crores of rupees, or one-tenth of the total amount of the reserve, the Bank would have right to make over the surplus to the Government to an amount not exceeding five crores of rupees in any year, and the Government would be required to pay the full value for these to the extent of 40 per cent. in Sterling or other external assets acceptable to the Bank, if the Bank so required and if the Bank's external assets at the time did not exceed fifty per cent of its total reserve; and

(4) If, in any year, the Bank's maximum holding fell below the amounts indicated above, the Government would similarly have the right to sell rupees to the Bank up to a maximum of five crores in any one year.

We observe in this connection, that the omission of any provision for a specific rupee redemption fund makes it all the more necessary that the reserves of the Bank should, at the outset, provide an ample margin over the statutory amount. Under the proviso to clause 33 of the 1928 Bill, the initial proportion of gold and Sterling assets must be not less than one-half of the liabilities of the Issue Department. We do not propose any alteration in this figure in the new Bill, but we think that this proportion may not necessarily be adequate, and we recommend that the question whether a

higher proportion is required at the outset should, before the Bank is set up, be carefully considered by the Government in the light of all the prevailing circumstances.

As regards the holding of Government of India rupee securities, the question was raised whether the limits proposed in the second proviso of clause 31 (3) might not prove unduly restrictive of the Bank's open market operations, and we recommend that this point should be further considered in India.

STERLING SECURITIES.

23. With regard to the remainder of the reserve, we recommend that "gold securities" should be replaced by "sterling securities". Gold securities would be not merely inappropriate to the Sterling standard, but in the present state of uncertainty, a possible source of weakness. As regards the aggregate proportion of gold coin or bullion and sterling securities to be held, we recommend that the minimum figure of forty per cent proposed by the Hilton Young Commission and adopted in the previous Bills should be retained.

As regards the distribution of this minimum between sterling and gold, various considerations have to be taken into account. On the one hand, it must be recognised that the Bank will always be required to hold a substantial amount of sterling in order to enable it to fulfil its sterling obligations. Indeed, it might be argued that so long as the rupee is not based on the gold standard, there is no logical necessity to prescribe a minimum holding of gold, and that any such limitation would restrict the freedom of the Bank's operations, and would to that extent be a source of weakness in relation to its obligations to maintain the currency standard. There is, moreover, the further argument that as gold carries no interest, any undue proportion of gold holdings would unjustifiably reduce the Bank's profits, and so impose indirectly an uunecessary burden on the Indian tax-payer. As against these considerations, must be weighed the widespread feeling in India in favour of holding gold as affording ultimately a most reliable form of reserve, a feeling which may necessitate some provision for a minimum gold holding, in order to secure the confidence of the Indian public in the stability of the Bank. While individual members of our Committee have been inclined to attach varying degrees of importance to these different considerations, we have been able to reach an agreement on the recommendation that the Bill should prescribe a minimum gold holding of Rs. 35 crores. The minimum of Rs. 35 crores represents actually about twenty per cent. of the present Note liability. Should, however, through any considerable expansion of Note issue, this percentage fall below fifteen per cent some members of the Committee are of the opinion that the position should be immediately reviewed.

25. The question of the valuation of gold assets presents some difficulty. At a time when monetary standards are completely disorganised, there is in fact no logical figure applicable to valuation of gold reserves. We consider that the best course would be to retain the valuation laid down in sub-clause (4) of clause 31. This would be in accordance with the practice at present followed by the Bank of England and in India where gold continues to be valued at old parity. Under this arrangement, the existing holdings would be covered against loss by a wide margin. The possibility would obviously be present that the Bank might gain a large premium on gold handed over to it by the Goverment. The question as to how such a premium should be dealt with especially in the event of sales being made in the intermediate period pending revaluation of gold raises complex practical issues, which we have not fully discussed. In principle such profits should belong rather to the Government than to the Bank, but our view is that this unrealised margin should, in

some way or other, be kept available for strengthening the position of the currency reserves. We recommend that detailed proposals should be worked out by the Government of India for consideration during the passage of legislation on this subject.

26. We approve generally of the provisions of clause 41 of the 1928 Bill relating to suspension of reserve requirements and connected tax provision. We (except Sir Purushotamdas Thakurdas and Mr. Ramsarandas) think it would be well to bring clause 41 into closer connection with clause 31 in order to make it clear that the minimum reserve can and should be utilised whenever this is called for by circumstances.

RESERVE FUND AND ALLOCATION OF SURPULS

27. We approve generally the provisions for a reserve fund and allocation of surplus in clause 46 of the 1928 Bill; subject to the following modifications in regard to the distribution of dividend. The appropriate rate for a fixed dividend must depend to some extent on the return on comparable securities at the time of the issue of shares. We recommend that the Bill should empower the Governor-General-in-Council to fix this rate subject to a maximum of five per cent. Provision should also be made on the lines of the third schedule to the 1928 Bill for gradually increasing the dividend up to a maximun of six per cent. In determining the fixed rate of dividend, the Governor-General-in-Council should take into account not only the yield on Government long-term securities, but also the desirability of attracting the small investor in the mofussil and thereby securing a wide distribution of shares.

SCHEDULED BANKS.

28. We approve of the principle of clause 44 of the 1928 Bill, under which scheduled banks are required to maintain minimum balances with the Reserve Bank. Some doubts have been expressed as to the appropriateness of (A) the criterion for inclusion in schedule, viz., Rs. 3 lakhs paid up capital and reserves and (B) the per centages prescribed in sub-clause (1) of that clause. We recommend that these two questions should be reconsidered in India together with the question whether the criterion should be based on the amount of deposits rather than on the paid-up capital and reserves.

RESERVE BANK AND THE IMPERIAL BANK.

29. We recommend that the Reserve Bank should be required to enter into an agreement with the Imperial Bank on the general lines of clause 45 of the 1928 Bill, but we consider that the period of 25 years prescribed in that clause is too long, and we suggest that this point should be further considered by the Government of India. The initial period, however, should be of a substantial duration with a provision thereafter for termination on several years notice given by either side. The agreement should further contain a stipulation that its continuance is dependant on the maintenance of a sound financial position by the Imperial Bank.

30. With regard to the second schedule to the 1928 Bill, we approve of the provision that the Imperial Bank should be the sole agent of the Reserve Bank at all places in British India where there is a branch of the Imperial Bank of India. It should be understood that this only applies to branches that are in existence at the time when the Act comes into force. We also agree that the Imperial Bank shall not, without the approval of the Reserve Bank, open any branch in substitution for a branch existing at the time when the agreement comes into force. As regards other branches that may be opened in future, the Reserve Bank should be under no obligation to employ the Imperial Bank and should be

free to make its own arrangements. The agency terms provided in paras two and three of the schedule will require reconsideration in the light of the present circumstances, and we recommend that the Government of India shall frame revised terms in consultation with the Imperial Bank.

31. It was submitted to us that, apart from the question of remuneration for services to be rendered, the Imperial Bank of India has a moral claim for compensation in respect of its disappointed expectations and of commitments which it undertook by arrangement with the Government before the institution of a Reserve Bank was contemplated. It was suggested to us that such compensation should be given in the form of allotment of part of the share capital of the Reserve Bank to shareholders of the Imperial Bank. We do not consider that the question whether the Imperial Bank is entitled to compensation is within the purview of this Committee, but in any case, we cannot recommend any special allocation of the Reserve Bank shares to the shareholders of the Imperial Bank, as this would be inconsistent with our scheme for distribution of shares on the broadest possible basis throughout India. We have no doubt, however, that any claim for compensation which may be put forward by the Imperial Bank will receive due consideration by the authorities in India. If the claim is conceded, we consider that compensation should be given in some other form.

N. B.—With reference to para 29, relating to the relations of the Reserve Bank with the Imperial Bank of India, please note that owing to their connection with the Imperial Bank, Sir Edward Benthall and Sir Purushothamdas Thakurdas took no part in the discussion of this question.

32. The Committee considered whether the powers to be given to the Governor-General in Council in the various clauses of the Bill should, under the new Federal Constitution be exercised by the Governor-General on the advice of his Ministers. In agreeing to the recommendations recorded below, some of the members took into account the powers which they assume the Governor-General will possess under the new Constitution Act to intervene if on any occasion his special responsibilities are involved.

In respect of clause 41 of the 1928 Bill (suspension of reserves), no agreement was reached between the three alternatives of the exercise of these powers (a) by the Governor-General at his discretion, (b) by the Federal Government or (c) by the Federal Government with the approval of the Governor-General at his discretion.

In respect of the clauses 43 and 52 of the 1928 Bill (forfeiture) of the right of note issue and liquidation), it was agreed that the powers should be exercised by the Federal Government with the approval of the Governor-General at his discretion.

In respect of clause 53 (regulations), it was agreed that the powers should be exercised by the Federal Government.

33. In the preceding paragraphs, we have dealt with all major questions in respect of which we recommend any departure from the provisions of the 1928 Bill. In other respects, we recommend that the principles of that Bill should be followed in drafting the new Reserve Bank Bill. There are, however, a number of minor points on which we recommend modification of the provisions of the 1928 Bill, either as being consequential on our major recommendations, or desirable on other grounds. These suggestions are set forth in Appendix one and for the convenience of reference we annex to our report, a copy of the 1928 Bill.

"Clayton's Case"

BY

F. A. WILLMAN, Cert. A. I. B. (Dist. Foreign Exchange)

Author of "Banking as a Career"

Perhaps there are few cases so commonly quoted by Students of banking as the Clayton Case. The principles evolved from the decision are certainly important and worthy of the attention of all who are concerned with the subject, whether in actual practice or, more distantly, in theory alone; and for that reason it is essential that the exact purpose of the rule laid down should be grasped. There is, it is feared, always a tendency with such well-known authorities, to quote the title with but little regard to the precise limit that must be ascribed to them. With the desire to obviate this danger with the case in point, I propose, therefore, to examine the details of that decision here.

The Subject and its Importance.

The subject to which the rule in Clayton's Case is relevant is that which is known as "the appropriation of payments" and as such it is evident, first of all, that it concerns the relationship of a debtor and his creditor.

Where one man is indebted to another on a series of debts that were contracted at various dates over any given period, it is quite conceivable that the debtor, or, for that matter, the creditor, may elect to settle with a particular payment a particular debt. It by no means follows that either will desire that payment to liquidate the debt that is first in point of time. At the same time it is often of importance, even in such a common relationship of debtor and creditor as occurs between the buyer and the seller of goods, to have a rule to work upon with regard to the point in question. As an example of this necessity we may consider the action of the Statute of Limitations. By this law it is enacted: *inter alia*, that unless an action is begun within six years from the date when the cause of action arose (no) necessarily when the debt was contracted that form of remedy is barred as a means of recovering a simple contract debt. In passing, it may be emphasized, also, that it is the remedy, not the debt, which is precludedt By this means, therefore, ignoring for the moment any considerations of his having in any way acknowledged the debt in the meantime, it is easy to see that, where a running account over a period of, say, seven years is concerned, the debtor has only to consider any payments he makes as liquidating later debts to escape all liability upon one contracted within the first year of the period of relationship. To this, it is equally obvious, the creditor would object, but with no authority to enforce it such objection would be extremely unlikely to afford him any protection. Thus, there arises the need for a definite rule to govern the appropriation of the payments made by a debtor who is indebted to another person on a series of debts.

The Case.

Clayton's Case was decided as long ago as 1816. It concerned the relationships between a banker and his customer and revolved upon the question, so often the pivot of subsequent legal actions, as to which item of indebtedness from the banker was liquidated by each of the several payments made by him during the period of the active account. It related to appropriation of payments out against a series of payments in. Now, before the case in point, it was an established rule of English law that the debtor possesses an indisputable right to earmark his various payments to cancel any one of a series of debts that exist between himself and the creditor, and that, failing

such appropriation, the creditor possesses a similar privilege in his case, even to the extent of liquidating a debt, action on which is statute barred. The point in doubt up to 1816 was what rule should be followed where neither of these privileges was used, for, as the Report on the case records, it was observed that " neither the banker nor his customer ever thinks of saying 'This draft is to be placed to the account of the £500 paid in on Monday and this other to the account of the £500 paid in on Tuesday.' " Nor is such a practice any more common to-day. Funds paid in, although they may be deposited on separate days, become, after credit to the account, and in the absence of specific appropriation, one whole; and, to continue the quotation "In such a case there is no room for any other appropriation than that which arises from the order in which the receipts and payments take place, and are carried into the account. *Presumably, it is the sum first paid in that is first drawn out.*" Upon the rule thus laid down the case was decided and the principle has been acknowledged times again since. The presumption there expressed has become the completing item in the trio of principles that have thereafter governed the appropriation of payment.

The Case Considered.

But, as was indicated earlier, it is always essential to know exactly the limitations of such a decision. The following observations are, therefore, submitted, but it must be pointed out that they are those that intimately concern banking practice only, and that they are not necessarily exhaustive. Indeed, it would be difficult to know when that point had been reached with such a decision. First, it may be noted that the term "presumably" was used, and from this students must concede the power of rebutting evidence in any particular case. Second, and this is of even greater significance, the decision concerned a relationship where the items of only *one* account were involved. Thus, it was laid down over a hundred years later (*Bradford Old Bank v. Sutcliffe, 1918*) that "payments to the credit of the current account are appropriated to that account and cannot be taken in reduction of the loan account." In this case, while it was admitted that the liability on the loan account subsisted and that, in view of Clayton's Case and of the fact that, subsequent to the insanity of one of the guarantors, large sums had been paid into, and cheques drawn on, the current account, there was no liability upon the final balance of that account, it was endeavoured to prove that those same credits must be considered to annul the liability upon the loan also. It was upon that contention that the adverse decision already quoted was directed. Further, the rule in Clayton's Case has been affirmed as non-applicable to accounts in which a trustee has mixed with the trust funds those belonging to himself. Here, it is considered that those first withdrawn are not necessarily those first credited, but those, whenever paid in, of the trustee in his personal capacity. If, however, the trustee pays in funds belonging to various trusts, the rule, as *between the beneficiaries*, applies. Finally, two points must be observed:

(1) that the rule is subject to definite as well as indefinite rebutting evidence, so that an appropriation by either the banker or his customer would preclude its action, and (2) that for the rule to be operative the account must be still current. It is upon this last qualification that bankers obtain their greatest protection, and, to conclude our study, it may be well to consider in what circumstances, in order to avoid the rule we have discussed, the banker should break an account.

To break an account is to suspend operations upon it, subsequent transactions being passed through another account. This course of action on the part of a banker is permissible only when circumstances arise that justify it; and the banker cannot act arbitrarily. The necessity occurs when there exists or arises a liability to, or by,

the banker on the part of, or to, a third party or his estate or when the liability, not being collateral, is joint or joint and several; and some event occurs that terminates any one of those liabilities. Thus, to exemplify the statement, accounts must be broken when—

(1) A customer becomes bankrupt or the account being joint or partnership, when, from whatever cause, the constitution is altered, which includes the absorption or amalgamation of limited Companies.

(2) A sole surety dies, becomes bankrupt, or insane, or gives notice to terminate his liability.

(3) When the banker receives notice of a second mortgage upon property pledged to him—the liability *to* a third party—the second mortgage—then, arises.

(4) There occurs, in a joint or joint and several liability, any variation, through whatever cause, in the constitution of such sureties or when notice to terminate liability is received from one or all.

In cases (2) to (4) the necessity arises only when the account is overdrawn.

The winding up of estates, although frequently involving a cessation of transactions upon the old account, is outside the consideration with which we are here concerned. In many of the circumstances mentioned a banker is protected by suitable clauses in his deed of charge, but notwithstanding such provisions to break the account is distinctly advisable, if not legally essential. Finally, it may be noted that unless the charge covers a continuing account, the advance must be made upon a loan account, or every future transaction will operate to extinguish the original indebtedness.

(By kind courtesy of "Pitman's Journal of Commercial Education.)

Reviews.

Practical Commercial Arithmetic.

BY

D. C. SUTARIA, F.I.S.A., L.A.A., (London).
Oxford University Press, Bombay. Rs. 4.

Mr. Sutaria who is an experienced lecturer on Commercial Arithmetic in the Davar's College of Commerce, Bombay, deserves hearty congratulations on his excellent production. The subject of Commercial Arithmetic which is considered by many as dry and uninteresting is handled in this book in such a manner that one going through it will find it extremely interesting and easy to learn the various principles enunciated in it. Mr. Sutaria has done well in commencing with the A. B. C. of Arithmetic—addition, subtraction etc.—and then introducing, step by step, in a logical manner, the more difficult portions of the subject, explaining them in a clear and lucid style. The portions causing much difficulty to the students of Commercial Arithmetic *viz.*, Equation of Payments, Stock Exchange, Square and Cube Roots, Compound Interest, Money and Foreign Exchange, Alligation (Mixtures) etc., have received the author's most careful attention and deserve much credit. The shortest methods of calculation which have to be frequently made use of by business men in their daily life have been copiously introduced

and nicely explained. If at all we have any suggestion to offer, it is only the following. If, in accordance with the usual custom among the authors of similar publications on Arithmetic, Mr. Sutaria has also added answers to the various exercises included in his book, its usefulness would have been very much increased and we hope this suggestion will receive his best attention when a second edition is called for. We have great pleasure in recommending this publication, written by an Indian author, as an excellent text book on "Commercial Arithmetic"; both for class and library use in all the commercial schools where this subject is taught and also to businessmen interested in building up a library of useful books for reference. The printing and get up is quite satisfactory.

Elementary Theory and Practice of Commerce.

BY

SOHRAB R. DAVAR.

Oxford University Press, Bombay. Rs. 2.

Professor Davar, Principal and Founder of the premier College of Commerce in Bombay, bearing his name, needs no introduction to the commercial world, both in India and abroad, as an author of several standard text books on the Science of Commerce. It is indeed a good sign to note that the Elements of Commerce, a subject very useful to the thousands of the Junior Commercial students scattered all over India has received the attention of so reputed an author as Mr. Davar who, with his experience as a lecturer on commercial subjects for well-nigh three decades has hitherto been devoting his attention, perhaps more appropriately, to the advanced portions on Commercial Law, Accountancy, Banking etc. Beginning with the art of writing business letters giving some good models, he has proceeded with the office routine of a junior clerk in a merchant's house, such as filing, indexing, elements of banking. cheques, bills of exchange, pro-notes and the hundis. The modern mechanical aids to business and the time saving appliances are briefly described, and the Laws of Partnership, and Joint Stock Companies have received the attention they deserve. A special feature in this little elementary book on Practice of Commerce not to be found in any other publication of an Indian author devoted to the same subject is that the chapter on the Law of Insurance has been dealt with in a most concise and lucid manner without omitting any salient point, and any one who has thoroughly mastered it, may have the satisfaction of having secured a working knowledge of this intricate subject. We are glad to note that the rules and regulations of the Indian Post and Telegraph Department, under the various heads, have been included and hope they should greatly appeal to a junior clerk stepping into an office or a business house, fresh from a High School or College. The index, copious as it is, covering 14 pages, must really add to the usefulness of the book. We heartily congratulate Prof. Davar on his recent decision to be of service to the junior students of commerce through this little book and wish it a ready sale.

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